

Greetings from Amherst. Once again, I am pleased to provide you with this annual financial summary as a supplement to our audited financial statements. Those statements give a true financial picture of Amherst College (the College) and provide consistency and comparability among nonprofit institutions by utilizing generally accepted accounting principles (GAAP). However, Amherst and its peers prepare budgets, manage day-to-day operations, and assess financial performance on the principles of cash-basis fund accounting, which is the basis for this financial summary. Together, these reports provide useful insights about the College's financial position, trends, and overall financial health.

The fiscal year that concluded on June 30, 2020 (FY20) was a year like no other for the College, and in fact all of higher education. During the winter months, the COVID-19 virus began spreading across the world, arriving in earnest in the United States by early March. On March 9, 2020, the difficult decision was made to suspend in-person learning at the College after Spring Break and transition to remote learning for the remainder of the semester. Over a period of only a week, the College's remarkable faculty transitioned to online instruction as the College's equally remarkable students traveled home and learned from their computers. The College's staff proved equally resilient. Many transitioned to remote work at home. Others took on completely different responsibilities on campus.

Of course, the human tragedy and public health crisis of the COVID-19 pandemic also brought significant financial impacts to the College and the economy overall. Over a six-week period, investment markets plummeted dramatically, threatening significant long-term consequences for highly-endowed schools such as the College. As a result of their departure from campus, the College provided students with over \$5 million of refunds for unused room and board services. At the same time revenues were declining, significant expenditures were incurred for a wide variety of safety measures such as masks, testing, personal protective equipment (PPE), cleaning supplies and services, and medical staffing and support. The College committed to maintaining continuous employment and compensation for its staff during a very challenging time in the broader economy, and avoided furloughs, layoffs, or reductions in hours.

Despite pandemic-related revenue losses and expense increases, the College concluded the year in very strong financial position. The College ended the year with a \$7.2 million operating surplus before discretionary transfers and designations, benefitting from two large and unanticipated estate gift liquidations and college-wide efforts to contain non-essential spending after the pandemic began. Investment markets quickly rebounded from their April lows. Boosted by strong returns prior to the pandemic, the endowment ended the year with a 6.6% investment return and an all-time high valuation of \$2.57 billion. For the last three, five, ten, and twenty years, the endowment gained an annualized average rate of return of 8.0%, 7.0%, 9.2%, and 8.0%, respectively, all exceeding benchmarks and peer averages. The College continued to make excellent progress against the goals of *Promise: The Campaign for Amherst's Third Century*, with a goal of \$625 million by the time the campaign comes to a close in June 2023. As of June 30, 2019, Amherst had received \$485.9 million in campaign commitments, or 78 percent of the goal. Of those commitments, \$56.7 million were made during FY20, another excellent year for the College.

OPERATING RESULTS

The College's FY20 operating budget was established at \$202.7 million with an expectation of balanced revenues and expenses. This budget represented an increase of 3.4 percent from the FY19 budget, and a

cost-per-student of about \$113,200. Budgeted spending from Amherst's endowment was \$106.6 million, or about 52.6 percent of budgeted revenues. This represents one of the very highest rates of budgetary support from endowment of any college or university in the country. Despite this, the College's endowment spending rate as a percentage of market valuation remains a modest and responsible 4.7 percent of average market value over the last three years, and 4.4 percent of market value at the beginning of the year (two commonly used methods of spend-rate calculation). Spending rates by any measure remain well within Amherst's board-approved target range of 3.5 to 5.0 percent. Comprehensive fee revenues, net of College-provided financial aid, were budgeted at \$69.8 million, or about 34.4 percent of budgeted revenues. The Annual Fund, other current use gifts and grants, and miscellaneous revenues provided the remaining 13.0 percent of budgetary support.

The College continues to emphasize financial access and affordability as one of its very highest priorities. Only four other schools match Amherst's core policies of need blind admissions, meeting full financial need of every admitted student – domestic or international – and doing so without an expectation of loans. As a result, budgeted comprehensive fee revenues, net of College-provided financial aid, grew only 2.0% from FY19, despite a comprehensive fee increase of 3.8%. Indeed, the rate of growth of net comprehensive fee revenues has grown only modestly for many years now, roughly in line with inflation. This has been possible through the generosity of Amherst's supporters, solid investment returns of endowment assets, and a moderation of the rate of growth of the College's expenditures.

For the full year, College revenues exceeded budget by \$1.4 million as a result of larger-than-expected bequests and other current use gifts, offset by over \$5 million in room and board refunds. The FY20 operating year benefitted from \$10.4 million Annual Fund receipts in FY19. Annual Fund receipts are utilized in the year following receipt. Expenditures were \$5.8 million lower than budget as a result of savings experienced by shifting to remote education in March and the absence of student presence on campus. Together, the favorable results on both the revenue and the expense side equated to an overall operating surplus of \$7.2 million. After designating a portion of this surplus to discretionary reserves, the College ended the year with a \$6.7 million transfer to the general reserve. This reserve now holds a balance of \$18.7 million after growth in recent years through annual operating budget surpluses and other designations. It provides a modest measure of protection for the College against unforeseen events.

CAPITAL PROJECTS

After the successful completion and opening of the 250,000 square-foot Science Center in FY18, the College has continued to focus on routine maintenance and smaller renovation projects. We remain mindful of the importance of continuous re-investment in facilities to avoid an issue that is all too common in higher education: a significant backlog of deferred maintenance. The overall condition of campus facilities is very strong in both absolute terms (the actual condition of our facilities) and relative terms (the condition of our facilities relative to our peers) as a result of a concerted set of capital improvement projects and funding of those projects through gift receipts and debt proceeds. In addition, every operating budget in recent years has included an increase in annual funding for routine and recurring capital and maintenance projects, and we expect this continue into the future.

In FY20, planning began in earnest for two transformative capital projects: a student center, and a project to decarbonize the campus's energy system. The student center project will utilize the site for the Merrill Science Center and McGuire Life Sciences Building. It will provide the College's students with a state-of-the-art facility to meet, gather, dine, exercise, engage in club activities, and relax. It will provide for opportunities for intentional and serendipitous encounters and social interactions. The energy system project will convert the College's power plant from steam to geothermal energy utilizing ground-source heat pumps to produce energy without fossil fuel consumption. This project, combined with the previously-announced solar project in Maine that the College funded with other colleges and other energy efficiency measures, will allow the College to achieve carbon neutrality on or about 2030. Both projects will be funded from a comprehensive strategy that will include anticipated philanthropy, debt proceeds, and the use of reserves and endowment funds.

In addition, we have continued to make progress on overhauling our core technology system by migrating to Workday. This project continued, despite the challenges and demands of the pandemic. The shift to remote learning and work only reinforced the importance of moving to a cloud-based system that provides enhanced security features and an improved user experience. We have positioned this work not simply as a technology project, but as an opportunity to simplify, streamline, and improve our underlying business processes. While it requires an enormous investment of time and resources to get there, we are well on our way, thanks to the tireless efforts of many staff, particularly in IT, Human Resources, and Finance. We expect to launch Human Resources and Finance systems and processes early in FY21, and student and registrar functionality at the beginning of FY22.

DEBT

As of June 30, 2020, the College held \$548.4 million of debt. In December, the College took advantage of a very low interest rate environment to secure a \$150 million loan from a private issuer. Proceeds were split evenly between a 10-year and a 30-year tranche, each at fixed rates during the duration of the loans. Proceeds from the 10-year issuance were secured in March, and are intended to boost liquidity in the short-term and be available to address any potential financial downturns. Despite this increase in debt, the College's balance remains strong. Its endowment-to-debt ratio is a very healthy 4.7-to-1, and the College continues to maintain excellent credit ratings from independent agencies Moody's (AAA-Stable) and Standard and Poor's (AA+ Stable). The College will receive the proceeds from the 30-year issuance in September, 2020, and will use these resources for the upcoming student center project.

PHILANTHROPY

As previously mentioned, *Promise: The Campaign for Amherst's Third Century*, continues to experience great success as a result of the extraordinary generosity of the members of the Amherst community. With three years to go until the conclusion of the campaign in June, 2023, we are confident that we will achieve this ambitious target. There is generally a timing gap between commitments and gift receipts, and a majority of campaign pledges were receivables on the books as of FY20 year-end. In FY20, the College received \$93.0 million in cash from its supporters, one of the highest totals in the history of the College and well higher than the \$81.2 million in receipts in FY19. Despite the financial impact of the

COVID-19 pandemic on families around the world, Amherst alumni came forward in an impressive way. Annual Fund receipts totaled a record \$11.5 million, donating a sizable proportion of those funds to directly support the needs of our students after the pandemic forced them to return home in March and continue learning remotely. As a result, we were able to provide hundreds of students with grants to offset costs and to alleviate financial hardship caused by the pandemic. While gift totals increased, overall gift participation— Annual Fund and other forms of giving—fell from 49.7 percent in FY19 to 44.1 percent in FY20. This decrease resulted from the cancellation of reunion weekend and an intentional reduction in gift solicitation activities after the pandemic arrived. We expect this decrease to be temporary. Despite this decline, Amherst’s gift participation rate remains one of the very highest in higher education. In addition, gifts totaling \$31.9 million were received to support current operations in such areas as instruction, research, library, scholarships and fellowships, or await designation by the donor. The College also received endowment gifts totaling \$44.8 million in FY20, continuing the longstanding tradition of alumni support of the endowment to extend the benefit of their gifts to the College in perpetuity. Gifts directly designated to facilities totaled \$16.4 million.

SUBSEQUENT EVENTS

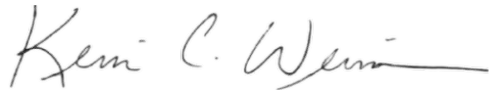
During the summer and fall of 2021, everyone in the College community continued to contend with the ongoing effects of the COVID-19 pandemic. In order to keep students, faculty, and staff safe, the College decided to limit the number of returning students to 1,200 and to continue with remote learning for students both on and off campus. Faculty devoted their summers to reworking their courses to incorporate new technologies and adjust their teaching methods with the assistance of the College’s instructional and technology staffs. Dining and campus operating staff restructured spaces, improved ventilation, and developed new methods of service delivery. Dozens of staff redirected their efforts to develop, deploy, and operate our COVID-19 testing center and contact tracing protocols. Anyone who could perform their job remotely continued to do so. Those students who traveled to campus arrived at a transformed campus, designed to keep people as safe as possible during the pandemic. The College conducted over 4,000 asymptomatic COVID-19 tests per week. Students, faculty, and staff lived and worked under a new set of safety protocols including the wearing of face coverings, distancing, and limits on travel. Many seminal events such as homecoming and family weekend were canceled, and speaker events moved fully online. Through it all, the members of the College community persevered, preserving the core of the Amherst experience to the greatest degree possible.

These decisions and realities had a dramatic financial impact on the College’s FY21 budget, approved by the Board of Trustees in August, 2020. The budget anticipated \$12 million in discrete spending on safety measures to protect the community against the risks of the virus, including the most robust testing protocols of any college or university in the country that had students tested three times per week and staff and faculty twice per week. In addition, the College hired additional health services professionals, purchased hundreds of thousands of masks, enhanced cleaning staffing and protocols, and shifted dining operations to a grab-and-go model. On the revenue side, about eight percent of students stepped away from their studies as some incoming students chose to defer their admission by a year and some returning students chose to take one or both semesters off. Other students learned remotely. All of this resulted in a significant loss of comprehensive fee revenues from a typical year. To address these challenges, the community rallied behind a series of budget measures including the freezing of

wages, delaying the hiring process for open positions, and identifying millions in savings from reduced expenditures. These measures were not enough to close the budget gap, and the College requested and received approval from the board of trustees for a one-time liquidation of \$12 million in unrestricted endowment funds to cover the COVID-related safety expenditures. Although this was not a step that the College took lightly, the draw from the endowment still equaled a responsible rate of about five percent.

CONCLUSION

While the effects of the COVID-19 pandemic will last for years to come, I am confident that the College is well-positioned financially to not only survive the pandemic but thrive in its aftermath. This is only true because of the immense generosity that the many members of the College community have shown for years, decades, and generations to the institution, and that they continue to show today. The resilience that every member of our community has shown during this difficult time has been nothing short of inspiring. The care, concern, and dedication shown by the hundreds of people who play a role, large and small, in stewarding the College's resources is our greatest asset. It is one that cannot be measured on an income statement or balance sheet, but one that has never been more apparent than today. Thank you for all you do for the College.

A handwritten signature in cursive script that reads "Kevin C. Weinman". The signature is written in black ink and is positioned above the printed name and title.

Kevin Weinman
Chief Financial & Administrative Officer